

Message Text

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11

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

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SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 /140 W

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FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 1830

LIMITED OFFICIAL USE TAIPEI 3189

E.O. 11652: NA

TAGS: EIND, ETRD, TW

SUBJECT: ROC FERROUS SCRAP REQUIREMENTS DURING 2ND HALF 1974

REF: STATE 95278

1. ANSWERS TO QUESTIONS IN PARA 3 REFTEL BASED ON INFO FROM INDUSTRIAL DEVELOPMENT BUREAU (IDB) AND BOARD OF FOREIGN TRADE (BOFT), BOTH IN MINISTRY OF ECONOMIC AFFAIRS:

(A) PRESENT LEVEL OF STEEL PRODUCTION IS 60,000 M/T PER MONTH OR APPROXIMATELY 350,000 M/T FOR 2ND HALF 1974, IF RATE NOT INCREASED, REQUIRING ABOUT 400,000 M/T OF SCRAP STEEL (ABOUT 2,000 M/T PER DAY). HOWEVER, IDB STATES ACTUAL PRODUCTION DURING SECOND HALF MAY BE HIGHER, REACHING ABOUT 500,000 M/T, REQUIRING 600,000 M/T OF SCRAP (ABOUT 3,300 M/T PER DAY). THIS PREDICTION BASED ON THREE ASSUMPTIONS: (1) GOVERNMENT WILL LIFT BAN ON CONSTRUCTION OF BUILDING OVER 4 STORIES; (2) EXPORTS OF STEEL PRODUCTS WILL RESUME BUT NOT TO EXTENT IT CAUSES SHORTAGE FOR DOMESTIC USE; AND (3) IMPORT PRICE OF SCRAP STEEL WILL NOT BE MORE THAN US\$100 PER M/T, F.O.B. SHIPPING PORT.

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(B) BOFT ESTIMATES IMPORTS FROM MAY TO DECEMBER WILL

BE 374,060 M/T/ (274,060 M/T UNDER QUOTA FROM U.S.,
50,000 M/T NON-QUOTA FROM U.S. AND 50,000 M/T
FROM OTHER SOURCES). THESE FIGURES EXCLUSIVE OF
IMPORTS OF SHIPS FOR SCRAPPING. IN ABSENCE U.S.
EXPORT CONTROLS, BOFT ESTIMATES ROC IMPORTS OF
SCRAP FROM U.S. WOULD BE 671,000 M/T AT \$75
PER TON, 457,000 M/T AT \$100 AND 406,000 M/T AT
\$125.

(C) SCRAP INVENTORY AT END OF APRIL WAS 416,000 M/T OR
126 DAYS SUPPLY AT HIGHER RATE OF PRODUCTION PRE-
DICTED IN (A) ABOVE OR 189 DAYS SUPPLY AT LOWER,
CURRENT PRODUCTION RATE. INVENTORY AT END OF
APRIL 1973 WAS 150,000 M/T. THESE FIGURES ARE
EXCLUSIVE OF SHIPS AWAITING SCRAPPING WHICH AMOUNTED
TO 254,596 M/T SCRAP CONTENT AT END OF APRIL THIS
YEAR.

2. EMBASSY EVALUATION. FIRST TWO ASSUMPTINS IN PARA
1(A) ABOVE APPEAR TO BE VALID. AT PRESENT, STEEL PLANTS
ARE OPERATING CONSIDERABLY BELOW CAPACITY BECAUSE DOMESTIC
PRICE FOR IRON BARS VERY LOW, ABOUT US\$289 PER M/T (PRICE
WAS \$515 PER M/T, BASED ON C.I.F. SCRAP PRICE OF US\$145.
GROC HAS ALREADY REMOVED BAN ON HIGH REISE CONSTRUCTION
(OVER 4 STORIES) IF IRON BARS ARE IMPORTED. REMOVAL OF
CONSTRUCTION AND EXPORT BAN WOULD INCREASE DEMAND SUFFI-
CIENTLY TO BRING PRICE UP TO LEVEL WHERE PRODUCTION WOULD
BE INCREASED ALONG LINES PROJECTED, I.E. 500,000 M/T
DURING SECOND HALF 1974. THIRD ASSUMPTION CORRESPONDS TO
CURRENT PRICE F.O.B. FROM U.S. PORT OF US\$100 PER M/T
REPORTED REFTEL. WITHOUT QUOTA RESTRICTIONS, BOFT
ESTIMATES THAT \$100 PRICE WOULD BRING IN A TOTAL OF 450,
000 M/T OR 126,000 M/T MORE THAN THEY ARE NOW ESTIMATING
ACTUAL IMPORTS WILL BE, I.E. 274,000 M/T UNDER QUOTA PLUS
50,000 NON-QUOTA. UNGER

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